



Half Year Report

31 December 2022

COMPANY DIRECTORY

Executive Chairman

Russell Scrimshaw

Non-Executive Deputy Chair

Tony Pearson

Chief Executive Officer

Bardin Davis

Non-Executive Directors

Abdullah Mwinyi

Giles Stapleton

Shasha Lu

Company Secretary

Philip Rundell

Principal and Registered Office

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SYDNEY NSW 2000

Securities Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: PEK

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Directors' Report

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2022. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Russell Scrimshaw	Executive Chairman (appointed 15 August 2022)
Tony Pearson	Non-Executive Deputy Chair (Non-Executive Director from 21 Aug 2018, Chair from 21 October 2020, appointed Deputy Chair from 15 August 2022)
Bardin Davis	Chief Executive Officer (CEO) (Non-Executive Director from 21 Oct 2020, Managing Director (MD) from 9 Dec 2020, stepped down as MD on 9 July 2022 to take up the CEO role)
Abdullah Mwinyi	Non-Executive Director
Giles Stapleton	Non-Executive Director
Giselle Collins	Non-Executive Director (resigned 9 November 2022)
Shasha Lu	Non-Executive Director (appointed 30 November 2022)

Review of Operations

Peak Rare Earths Limited (the "Company" or "Peak") continues to progress the development and commercialisation of its world-class strategic asset, the Ngualla Rare Earth Project ("Ngualla Project") in Tanzania. It intends to initially develop the Ngualla Project to produce a low-cost and high-grade rare earth concentrate. Longer-term it intends to evaluate the potential to develop rare earth refining and separation facilities and other downstream opportunities within the rare earth sector.

The consolidated entity recorded an operating loss after income tax of \$5,732,146 for the half-year ended 31 December 2022 (31 December 2021: \$13,370,693). The material expenditures that contributed to the loss that were necessarily incurred to progress the activities of the Company include:

- Employee benefits expenses of \$1,396,527 (2021: \$1,237,774);
- Administration and other costs of \$1,638,585 (2021: \$2,222,974) include consultants and legal costs primarily associated with the Framework Agreement, financing and offtake documentation, negotiation and advice; and
- Technical feasibility costs of \$1,787,335 (2021: \$1,762,444) on the bankable feasibility study update and other technical studies.

The key events of the Company's operations over the last six months and to the date of this Directors' Report are as follows:

- Adoption of a sequenced multi-phased development strategy
- Completion of a Bankable Feasibility Study Update on the Ngualla Project;
- Completion of negotiations with the Special Presidential Government Negotiation Team ("SPGNT") with respect to a Framework Agreement for the Ngualla Project;
- Signing of a strategic and marketing MOU with Shenghe Resources; and
- Appointment of Shasha Lu to the Board.

Adoption of a sequenced development strategy

During negotiations with the Government of Tanzania on the finalisation of a Framework Agreement, Peak committed to defer any decision to proceed with the construction of the Teesside Refinery until the completion of an independent study into the feasibility of a Tanzanian refinery or further in-country downstream processing ("Independent Study").

Peak has now adopted a sequenced development strategy entailing the following stages:

- Initially developing the Ngualla Project to produce and export rare earth concentrate to offshore third-party refineries; and

- Commissioning an independent study into the feasibility of a Tanzanian refinery and further downstream processing in partnership with the Government of Tanzania. This study will assess the technical, economic and environmental feasibility of a Tanzanian refinery as well as the potential to produce intermediate products such as a mixed rare earth carbonate.

The benefits of this revised staged approach include the following:

- Maintains optionality around the potential of a Tanzanian rare earth refinery;
- Reduces up-front capital expenditure and funding requirements;
- Lowers commissioning and execution risk;
- Takes advantage of offtake appetite for the Ngualla Project high-grade rare earth concentrate; and
- Aligns with the Government of Tanzania's policy of maximising in-country processing and value addition where feasible.

Completion of Bankable Feasibility Study Update on the Ngualla Project

The Bankable Feasibility Study Update ("BFS Update") on the Ngualla Project was completed in October 2022. It supports a technically robust standalone project with an increased capacity and highly attractive economics and shareholder returns. The BFS Update follows a Bankable Feasibility Study ("BFS") that was completed in April 2017. Both the BFS and BFS Update are backed by extensive pilot plant test work, detailed engineering design and cost studies and JORC 2012 Compliant Ore Reserves and Mineral Resources estimates.

Financial analysis

The NPV for Peak's interest in the Ngualla Project is estimated at US\$1,483 million under the base case pricing assumption. Financial outputs for the Ngualla Project are set out in the following table net of distributions to the Government of Tanzania, which include corporate taxes, royalties and other fees, and dividends attributable to the Government's 16% free carried interest.

Ngualla Project Output Summary

Production Metrics	Unit	Yrs 1-6	LOM
Grade mined	% TREO	5.4%	4.8%
Concentrate production	ktpa dry	40.5	36.0
Concentrate production	ktpa TREO	18.2	16.2
Concentrate grade	% TREO	45.0%	45.0%
NdPr % (of concentrate basket)	% mass	22.6%	22.3%
Mine life	Years		24 ¹
Cost Metrics	Unit	US\$	A\$²
Pre-production capital	\$m	321	509
Average annual operating cost	\$m p.a.	93	148
Average annual operating cost	\$/kg TREO	5.8	9.2
Revenue and Profit Metrics²	Unit	US\$	A\$
Average annual revenue	\$m p.a.	538	854
Average annual EBITDA	\$m p.a.	448	711
Average operating cashflow	\$m p.a.	276	438
Financial Outputs³	Unit	US\$	A\$
Peak post-tax NPV ^{8%, real}	\$m	1,483	2,353
Equity IRR	%		37.3%

¹Based on Ore Reserves only

²Based on AUD-USD exchange rate of US\$0.63 / AUD\$1.00 (as at Friday 21 October 2022)

³Real discount rate (all modelling is in real terms)

Further details on the BFS Update study outcomes can be found on the Company announcement dated 24 October 2022, titled "Completion of Ngualla Project BFS Update". The Company confirms that at this time it is not aware of any new information or data that materially affects the information included in the announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Strategic and marketing MOU signed with Shenghe Resources

In October 2022, Peak signed an offtake and strategic co-operation non-binding Memorandum of Understanding (“MOU”) to support the development of the Ngualla Project with Shenghe Resources (Singapore) Pte Ltd, a wholly owned subsidiary of global rare earths company, Shenghe Resources Holdings Co. (“Shenghe”).

Shenghe is a large Chinese rare earth group with operations spanning mining and beneficiation, refining and separation, as well as alloy and metals production. Its international interests include an approximate 7.75% holding in MP Materials Corp (NYSE:MP), a 90% holding in Vietnam Rare Earth Company Limited, and a 9% holding in Greenland Minerals Limited (ASX:GGG). Shenghe is listed on the Shanghai Stock Exchange (SSE: 600392.SS) and has a market capitalisation of approximately US\$3.7 billion.

In the case of MP Materials, Shenghe has been a supportive major shareholder through long-term offtake and strategic cooperation. MP Materials, which has a market capitalisation of approximately US\$5.2 billion, currently produces approximately 70,000 tonnes per annum of a high-grade bastnaesite concentrate. Since the recommencement of MP Materials’ Mountain Pass Project in 2017, Shenghe has been its sole offtaker and provided support to the restart of Mountain Pass Rare Earth project.

Shenghe MOU Offtake terms

Key terms relating to this offtake MOU include:

- 75 -100% of production, which may include a high-grade concentrate and/or a mixed rare earth carbonate;
- An initial supply period of 7 years, which may be extended further by mutual agreement;
- An arms-length market-based pricing principle based on the value of contained rare earth oxides within the product.

Strategic / technical co-operation and other terms

Other key elements of the MOU include the following:

- Technical co-operation on relevant aspects of the Ngualla Project including in relation to rare earth mining and beneficiation processes, in accordance with arms-length market principles;
- The potential for Shenghe to acquire a direct interest in the Ngualla Project at a mutually agreed valuation;
- The right for Shenghe to appoint one Non-Executive Director to the Board of Peak, subject to Shenghe maintaining a minimum shareholding of at least 10%;
- An initial MOU term of 12 months; and
- The potential to explore other areas of strategic cooperation outside of the Ngualla Project

Since the signing of the MOU, Peak and Shenghe have been progressing the negotiation of a binding offtake agreement in relation to the supply of high-grade rare earth concentrate and intermediate products from the Ngualla Project and exploring options to utilise Shenghe’s technical expertise to support lower capital and operating costs and improve rare earth recoveries and concentrate grade. During the period, Peak supplied Shenghe with ore and concentrate samples to support its technical analysis.

Completion of negotiations with the SPGNT with respect to a Framework Agreement for the Ngualla Project

Peak has completed negotiations with the Special Presidential Government Negotiating Team (“SPGNT”) with respect to a Framework Agreement for the Ngualla Project and is awaiting final approval by the Government of Tanzania to proceed to execution. Peak believes that the Framework Agreement and associated documentation that has been negotiated with the SPGNT supports attractive economic returns for Peak shareholders and a strong alignment of interests with the Government of Tanzania.

Subsequent to 31 December 2022, Peak and the Government of Tanzania registered and incorporated the following entities:

- Mamba Minerals Corporation Limited (“MML”); and
- Mamba Refinery Corporation Limited (“MRL”).

As part of the Framework Agreement documentation agreed with the SPGNT and awaiting final approval from the Government of Tanzania:

- MML – will hold the Special Mining Licence (“SML”) for the Ngualla Rare Earth Project (“Ngualla Project”) upon its formal grant and will own and operate the Ngualla Project; and
- MRL – will own and operate any future Tanzanian refining and downstream operations.

Both entities are owned 84% by Peak (via wholly owned subsidiaries) and 16% by the Government of Tanzania (via the Treasury Registrar).

Peak anticipates signing a Framework Agreement with the Government of Tanzania by the end of the March 2023 quarter.

Board Appointments and Changes

On 15 August 2022, Russell Scrimshaw, a distinguished corporate executive was appointed to the role of Executive Chairman. Following this appointment, the Company completed a Board reorganisation with Tony Pearson transitioning to the role of Non-Executive Deputy Chair and Managing Director Bardin Davis assuming the role of Chief Executive Officer, stepping down from the Board to focus on his executive duties.

Shasha Lu was appointed to the Board of Directors following the signing of a marketing and strategic MOU with a wholly owned subsidiary of Shenghe and her election as a Non-Executive Director occurred at the Annual General Meeting. Ms Lu has been the Managing Director of Shenghe Resources Overseas Development since 2014. She leads and manages overseas investment, international trade, cross-border corporate management and the building of a complete rare earth and monazite supply chain.

Giselle Collins resigned as a Non-executive Director of the Company on 9 November 2022. The Company thanks Mrs Collins for valuable contribution and stewardship in her time as a Non-Executive Director and Chair of the Audit & Risk Committee and Chair of the Nomination & Remuneration Committee.

Events Subsequent to Reporting Date

Subsequent to 31 December 2022, 275,000 unlisted options were exercised to provide proceeds of A\$82,500 to the Company, a further 284,000 unlisted options expiring unexercised.

On 20 February 2023, Peak and the Government of Tanzania registered and incorporated Mamba Minerals Corporation Limited (“MML”) and Mamba Refinery Corporation Limited (“MRL”). MML will hold the Special Mining Licence for the Ngualla Project upon its formal grant and will own and operate the Ngualla Project; and MRL will own and operate any future Tanzanian refining and downstream operations. Both entities are owned 84% by Peak (via wholly owned subsidiaries) and 16% by the Government of Tanzania (via the Treasury Register).

Other than the matters referred to above there were no other events that have a material impact on the financial statements or operations of the Group.

Auditor’s Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst Young to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 of this half year financial report. This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Russell Scrimshaw
Executive Chairman

Sydney, New South Wales

Dated this 14th day of March 2023



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Auditor's independence declaration to the directors of Peak Rare Earths Limited

As lead auditor for the review of the half-year financial report of Peak Rare Earths Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. no contraventions of any applicable code of professional conduct in relation to the review; and
- c. no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Peak Rare Earths Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'P. Dreyer'.

Pierre Dreyer
Partner

14 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Half Year Ended 31 December 2022

	Notes	Consolidated	
		31 December 2022 \$	31 December 2021 \$
Interest received		15,526	4,302
		15,526	4,302
Employee benefits expenses		(1,396,527)	(1,237,774)
Share based payments expenses		(765,695)	(219,943)
Depreciation and amortisation expenses		(151,947)	(74,022)
Borrowing costs	4	(7,583)	(7,857,838)
Administrative and other costs		(1,638,585)	(2,222,974)
Technical feasibility costs		(1,787,335)	(1,762,444)
		(5,747,672)	(13,374,995)
Loss before income tax expense		(5,732,146)	(13,370,693)
Income tax expense		-	-
Net loss for the period		(5,732,146)	(13,370,693)
Other comprehensive income			
<i>Items which may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		638,359	1,492,816
Other comprehensive income for the period net of tax		638,359	1,492,816
Total comprehensive loss for the period		(5,093,787)	(11,877,877)
Basic and diluted loss per share (in cents)		(2.76)	(6.73)

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2022

	Notes	Consolidated	
		As at 31 December 2022 \$	As at 30 June 2022 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,795,541	9,479,379
Trade and other receivables		87,740	974,411
Prepayments		230,268	80,373
Total current assets		4,113,549	10,534,163
Non-current assets			
Other Financial Assets		63,794	63,794
Property, plant and equipment		229,738	225,337
Right-of-use asset		3,654,581	3,774,955
Exploration and evaluation costs	3	59,746,076	59,114,040
Investments		8,000	8,000
Total non-current assets		63,702,189	63,186,126
Total assets		67,815,738	73,720,289
LIABILITIES			
Current liabilities			
Trade and other payables		810,740	2,447,973
Provisions		210,527	96,367
Lease liability – current		116,758	110,279
Total current liabilities		1,138,025	2,654,619
Non-current liabilities			
Lease liability – non-current		146,499	206,364
Total non-current liabilities		146,499	206,364
Total liabilities		1,284,524	2,860,983
Net assets		66,531,214	70,859,306
EQUITY			
Contributed equity	5	140,805,369	140,805,369
Reserves	6	6,601,617	5,197,563
Accumulated losses		(80,875,772)	(75,143,626)
Total equity		66,531,214	70,859,306

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half Year Ended 31 December 2022

	Consolidated	
Notes	31 December 2022 \$	31 December 2021 \$
OPERATING ACTIVITIES		
Payments to suppliers and employees	(5,599,364)	(4,631,407)
Interest received	15,526	4,302
Cash used in operating activities	(5,583,838)	(4,627,105)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(35,599)	(149,483)
Cash used in investing activities	(35,599)	(149,483)
FINANCING ACTIVITIES		
Proceeds from issue of equity shares	-	31,862,436
Cost of issuing equity shares	-	(1,382,278)
Payment of lease liabilities	(60,968)	-
Repayment of royalty liability	4	(13,750,524)
Cash generated from financing activities	(60,968)	16,729,634
Net increase/(decrease) in cash and cash equivalents held	(5,680,405)	11,953,046
Balance at the beginning of the period	9,479,379	2,680,367
Effect of foreign currency translation	(3,433)	(20,538)
Balance at the end of the half year	3,795,541	14,612,875

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half Year Ended 31 December 2022

	Consolidated				
	Contributed Equity	Share based payment reserve	Foreign Currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
At 1 July 2021	107,717,730	4,644,083	(4,655,110)	(52,412,023)	55,294,680
Loss for the period	-	-	-	(13,370,693)	(13,370,693)
Other comprehensive income	-	-	1,492,816	-	1,492,816
Total comprehensive loss for the period	-	-	1,492,816	(13,370,693)	(11,877,877)
Equity issued	31,882,282	-	-	-	31,882,282
Transaction costs	(1,382,279)	-	-	-	(1,382,279)
Share based payments	-	219,943	-	-	219,943
At 31 December 2021	138,217,733	4,864,026	(3,162,294)	(65,782,716)	74,136,749
At 1 July 2022	140,805,369	5,254,532	(56,969)	(75,143,626)	70,859,306
Loss for the period	-	-	-	(5,732,146)	(5,732,146)
Other comprehensive income	-	-	638,359	-	638,359
Total comprehensive loss for the period	-	-	638,359	(5,732,146)	(5,093,787)
Share based payments	-	765,695	-	-	765,695
At 31 December 2022	140,805,369	6,020,227	581,390	(80,875,772)	66,531,214

The statement should be read in conjunction with accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

1 Corporate information

The financial report of Peak Rare Earths Limited (previously Peak Resources Limited) and its subsidiaries (the Group) for the half year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 14 March 2023.

Peak Rare Earths Limited is a company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The principal activity of the Group during the half year was the investment in exploration and evaluation of mineral projects, principally the Ngualla Project.

2 Statement of significant accounting policies

a) Statement of compliance

The half-year consolidated financial statements are a general purpose condensed financial report prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standard AASB 134: 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and the public announcements made by Peak Rare Earths Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim review period.

b) Basis of preparation

The half-year report has been prepared on an accruals basis and is based on historical cost. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Going Concern

As at 31 December 2022, the Group has net current assets of \$2,975,524 (30 June 2022: \$7,879,544), of which cash and cash equivalents amounted to \$3,795,541 (30 June 2022: \$9,479,379). For the half-year ended 31 December 2022, the Group incurred a loss after tax of \$5,732,146 (2021: \$13,370,693) and an operating cash outflow of \$5,583,838 (2021: \$4,627,105).

Based on the Group's cashflow forecasts, as the Group works towards the finalisation of permitting and the commencement of development activities for the Ngualla Project, the Group will be required to raise additional funds over the course of the next 12 months.

The Group's ability to continue as a going concern and meet its debts as and when they fall due is dependent on its ability to raise additional capital. As reported, with \$3,795,541 cash at bank at the end of the reporting period, Peak is well funded in the short term to fund the short term pre-development activities, and its corporate and administration requirements. Further funding will be required to develop the project.

In the directors' opinion, there are reasonable grounds to believe that the Group has the ability to raise further funding as and when required based on the quality of the project and its past ability to raise equity funding. However, in the event that additional funding is not forthcoming, the Group will need to reduce its discretionary spending to ensure that it has sufficient cash on hand to continue its operations.

2 Statement of significant accounting policies (continued)

As a result of the need to raise additional equity to continue with the planned development of the Ngualla Project, or reduce discretionary spending if funds are not forthcoming, there is a material uncertainty whether the Group will be able to progress with its current development initiatives and continue as a going concern and therefore in this circumstance whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

c) Basis of consolidation

The consolidated financial statements of Peak Rare Earths Limited comprise the financial statements of Peak and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value. Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.

d) Impact of new standards applied for the first time

The accounting policies adopted in the preparation of the half-year consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial report for the year ended 30 June 2022 and the corresponding interim review period.

Standards issued but not yet effective

Significant Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements is not expected to be material. The Group intends to adopt these new standards and interpretations, if applicable, when they become effective.

3 EXPLORATION AND EVALUATION COSTS

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
<u>Movement in net carrying amount:</u>		
Balance at beginning of period	59,114,040	54,472,897
Exploration assets written off during the year	-	(156,080)
Foreign exchange movements	632,036	4,797,223
Balance at end of period	59,746,076	59,114,040
<u>Capitalised areas of interest:</u>		
Ngualla Rare Earth Project, Tanzania	59,746,076	59,114,040
	59,746,076	59,114,040

The ultimate recoupment of the costs carried forward for the exploration and evaluation phases is dependent on successful development and commercial exploitation or sale of the respective exploration areas.

Exploration and evaluation costs are assessed for impairment by the directors when facts and circumstances suggest that the carrying amount exceeds the further economic benefits that may be recovered from the asset. This assessment is performed when the above circumstances occur and at every reporting date.

4 ROYALTY LIABILITY

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Balance at beginning of period	-	5,686,663
Accretion of interest	-	90,688
Foreign exchange movements	-	197,460
Repayment of royalty liability	-	(5,974,811)
Balance at end of period	-	-

In July 2015, ANRF Royalty Company Limited (ANRF) and International Finance Corporation (IFC) advanced US\$5,191,201 to the Group for a 2% Gross Sales Royalty from the Ngualla Rare Earth's project in accordance with the Royalty Agreement. On 5 August 2021, Peak Rare Earths Limited, PR NG Minerals Limited (wholly owned subsidiary of the Group), Appian and ANRF entered into a conditional Royalty Repayment and Release Agreement whereby the parties agreed to terminate the Royalty Agreement following a cash payment by PR NG Minerals Limited to Appian and ANRF of the Principal Sum of US\$5,191,201 and accrued interest of US\$4,787,554 totalling US\$9,978,755 (or A\$13,750,524). The Royalty Repayment and Release Agreement was approved by Peak shareholders at a General Meeting held on 28 September 2021 and the transaction was completed on 5 October 2021. The excess of the total repayment of A\$13,750,524 over the carrying value of the royalty liability at 5 October 2021 was recognised as "Borrowing costs" in the profit or loss.

5 CONTRIBUTED EQUITY

	Issue Date	Nos.	\$
Balance at 30 June 2021		1,628,758,098	107,717,730
Issue of shares for nil consideration on exercise of vested performance rights	1-Jul-21	330,000	-
Shares issued in settlement of equity component of executive remuneration @ 11.3722 cents per share	8-Jul-21	174,518	19,847
Issue of shares on exercise of listed PEKOD options @ 3 cents per share	6-Aug-21	333,333	10,000
Issue of shares Tranche 1 Capital Raising @ 9 cents per share	13-Aug-21	226,851,892	20,416,670
Issue of shares on exercise of listed PEKOD options @ 3 cents per share	8-Sep-21	4,166,667	125,000
Issue of shares on exercise of listed PEKOD options @ 3 cents per share	1-Oct-21	1,300,000	39,000
Issue of shares on exercise of listed PEKAI options @ 3.5 cents per share	1-Oct-21	375,000	13,125
Issue of shares Tranche 2 Capital Raising @ 9 cents per share	4-Oct-21	106,481,442	9,583,330
Issue of shares for nil consideration on exercise of vested performance rights	5-Oct-21	482,000	-
Share Purchase Plan @ 9 cents per share	8-Oct-21	18,614,511	1,675,311
Capital Consolidation 10 securities into 1	10-Dec-21	(1,789,079,928)	-
Issue of shares on exercise of listed PEKAI options @ 35 cents per share	14-Jan-22	75,000	26,250
Issue of shares on exercise of listed PEKAI options @ 30 cents per share	21-Jan-22	290,000	87,000
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	2-Feb-22	66,667	20,000
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	15-Feb-22	32,000	9,600
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	22-Feb-22	18,600	5,580
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	23-Feb-22	129,560	38,868
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	01-Mar-22	500,000	150,000
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	4-Mar-22	116,667	35,000
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	11-Mar-22	100,000	30,000
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	15-Mar-22	651,986	195,596
Issue of shares to Tanzanian employees in recognition of continuing and valued service to the company	17-Mar-22	45,171	29,135
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	17-Mar-22	288,667	86,600
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	22-Mar-22	54,041	16,212
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	24-Mar-22	2,535,116	760,535
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	25-Mar-22	34,578	10,373

5 CONTRIBUTED EQUITY (continued)

	Issue Date	Nos.	\$
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	28-Mar-22	15,000	4,500
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	29-Mar-22	203,709	61,113
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	4-Apr-22	215,483	64,645
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	5-Apr-22	51,000	15,300
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	7-Apr-22	2,628,132	788,440
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	12-Apr-22	277,184	83,155
Issue of shares on exercise of listed PEKOD options @ 30 cents per share	19-Apr-22	232,443	69,733
Equity issue costs			(1,382,279)
Balance at 30 June 2022		207,348,537	140,805,369
Issue of shares for nil consideration on exercise of vested performance rights	30-Nov-22	514,399	-
Issue of shares for nil consideration on exercise of vested performance rights	9-Dec-22	174,494	-
Balance at 31 December 2022		208,037,430	140,805,369

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options over ordinary shares (including performance rights)

The following performance rights issues were made during the period:

2,053,400[^] Performance Rights as a Long-Term Incentive to employees expiring 23 September 2026.

4,100,000[^] Performance Rights as a Long-Term Incentive to employees expiring 30 November 2026.

The following performance rights were cancelled/expired/exercised during the period:

100,000 vested Performance Rights exercisable on or before 9 September 2025 were cancelled

688,893 vested Performance Rights exercisable on or before 9 December 2025 were exercised

[^]The Performance Rights will vest on achievement of performance milestones set by the Board

Options on issue at 31 December 2022:

Options over ordinary shares (including performance rights)	Date of Issue	Nos	Status	Exercise Price	Expiry Date
Unlisted Options	5-Mar-19	559,000	Vested	\$0.30	05/03/2023
Unlisted Options	04-Nov-19	500,000	Unvested	\$1.50	21/06/2023
Performance Rights	05-Feb-21	2,015,000	Unvested	\$nil	05/02/2025
Performance Rights	09-Dec-2021	1,352,399	Unvested	\$nil	09/12/2025
Performance Rights	23-Sep-2022	1,740,900	Unvested	\$nil	23/09/2026
Performance Rights	15-Dec-2022	4,089,474	Unvested	\$nil	15/12/2026
Balance at 31 December 2022		10,256,773	Unvested	\$nil-\$1.50	05/03/2023 - 15/12/2026

6 RESERVES

	Share based payment reserve	Foreign Currency translation reserve	Total
	\$	\$	\$
At 1 July 2021	4,644,083	(4,655,110)	(11,027)
Share based payment made 1 July 2021 to 30 June 2022	610,449	-	610,449
Exchange difference on translation of foreign operations	-	4,598,141	4,598,141
At 30 June 2022	5,254,532	(56,969)	5,197,563
Share based payment made 1 July 2022 to 31 December 2022	765,695	-	765,695
Exchange difference on translation of foreign operations	-	638,359	638,359
At 31 December 2022	6,020,227	581,390	6,601,617

The share-based payment reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for supply of goods and services.

Foreign currency translation reserve is used to recognise exchange difference arising from the translation of foreign operations to the Australian dollar which is the consolidated entity's presentation currency.

7 OPERATING SEGMENTS

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM is the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment and the Group's activities as an investor in one exploration project. Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

8 COMMITMENTS

The Group had no commitments to purchase property, plant and equipment or contingent liabilities at half year end 31 December 2022 (31 December 2021: \$nil).

Peak's 100% owned subsidiary Peak African Minerals has provided a fully drawn working capital loan facility of US\$4,209,317 at 8% interest plus a finance charge of US\$684,000. The facility is not currently due and payable, however if and when the facility is repaid the interest and finance charge will be subject to withholding tax at 10% which is estimated to be US\$285,960 as at 31 December 2022.

9 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 31 December 2022, 275,000 unlisted options were exercised, to provide proceeds of A\$82,500 to the Company, and 284,000 unlisted options expired unexercised.

On 20 February 2023, Peak and the Government of Tanzania registered and incorporated Mamba Minerals Corporation Limited ("MML") and Mamba Refinery Corporation Limited ("MRL"). MML will hold the Special Mining Licence for the Ngualla Project upon its formal grant and will own and operate the Ngualla Project; and MRL will own and operate any future Tanzanian refining and downstream operations. Both entities are owned 84% by Peak (via wholly owned subsidiaries) and 16% by the Government of Tanzania (via the Treasury Register).

Other than the matters referred to above there were no other events that have a material impact on the financial statements or operations of the Group.

DIRECTORS' DECLARATION

In the opinion of the directors of Peak Rare Earths Limited ('the Company'):

The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

- a. complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year then ended.

Subject to the matters set out in note 2(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Russell Scrimshaw
Executive Chairman
Sydney, New South Wales

Dated this 14th day of March 2023



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Independent auditor's review report to the members of Peak Rare Earths Limited

Conclusion

We have reviewed the accompanying half-year financial report of Peak Rare Earths Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(b) of the half-year financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that appears to be 'P. Dreyer'.

Pierre Dreyer
Partner
Perth

14 March 2023